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MEMORANDUM

TO: Eric S. Kretschman, Abington Township Commissioner
Matt Lahaza, Assistant Manager

FROM: Bill Del Gesso

SUBJECT: LERTA Program

DATE: January 30, 1996

As you know, the LERTA Program allows a municipality in Pennsylvania to exempt from taxes for a limited time (maximum 10 years) improvements to business property in a designated area. A local taxing authority(s) may grant a tax exemption "on the assessment attributable to the actual cost of improvements up to any maximum cost uniformly established by the municipal governing body". This exemption and maximum cost shall apply to all eligible deteriorated property within a designated area. It is important to note that the tax exemption under this Act applies only to improvements to be undertaken on a subject property.

In order to compare the benefits of LERTA to the municipality and the developer, I have prepared the attached chart which shows the total taxes to be paid on improvements as well as the savings to be realized by an entrepreneur over a 10 year period. The first schedule assumes a 100% abatement for 5 years with phasing in of new taxes at the rate of 20% per year from years 6 to 10. The second schedule exempts new taxes for one year while phasing in new taxes at a rate of 10% per year.

The following example relates to a hypothetical development of a 235,000 square foot distribution facility. The assessed valuation for tax purposes will be \$1.35 per square foot, or \$318,390. Thus, real estate taxes on this facility would total \$47,411. The county, institutional, township and school real estate taxes also are hypothetical. The breakdown follows:

County	26.8	mills	\$ 8,532
Institutional	5.4		1,719
Municipal	34.25		10,905
School	<u>85.5</u>		<u>27,222</u>
	151.85	mills	\$48,378
Less 2% Discount			<u>- 968</u>
Total Real Estate Taxes			\$47,410

The attached table reflects the total county, institutional, municipality and school real estate taxes which would be generated over a ten year period. In an effort to be as accurate as possible, I have estimated that taxes will increase at an average of 4% per year during this 10 year period. The table also reflects the taxes which the developer would pay during this period as a result of the LERTA Program. It also indicates the savings which would accrue to the developer as a result of LERTA.

The savings in taxes over a ten year period differ on the two attached schedules. The chart shows that in Table I the developer would save 66.2% of his anticipated additional taxes over a 10 year period. However, the Table II offers a tax savings of 51.8% over the same period. Thus, both tax abatement schedules should be attractive to a developer.

LERTA requires a public hearing and adoption by the participating taxing bodies. Obviously, the Program's success hinges upon the participation of each of the taxing bodies in the municipality.

**FACT SHEET
FOR
TOWNSHIP OF ABINGTON**

**LOCAL ECONOMIC REVITALIZATION TAX ASSISTANCE PROGRAM
LERTA**

This Act allows local taxing authorities to exempt improvements to business property for a limited period of time, if such property is located in a deteriorating area, as determined by a municipal governing body, or is subject to a governmental order requiring the property to be vacated, condemned, or demolished by reason of noncompliance with law, ordinance, or regulation. Improvements eligible for tax exemption include repair, construction, or reconstruction, including alterations and additions having the effect of rehabilitating a structure so that it becomes habitable or attains higher standards of safety, health, economic use or amenity, or is brought into compliance with governing laws, ordinances, or regulations.

Any county, city, borough, incorporated town, township, institutional district or school district could elect to participate in this Program. Tax exemption may be based on actual improvement cost or uniform maximum cost set by municipal governing bodies for a period of time not to exceed 10 years.

Criteria:

Township of Abington shall take into account the following criteria when determining the boundaries of a deteriorated area or areas:

- (1) Unsafe, unsanitary and overcrowded buildings;
- (2) Vacant, overgrown and unsightly lots of ground;
- (3) A disproportionate number of tax delinquent properties;
- (4) Defective design or arrangement of buildings, street or lot layouts;
- (5) Economically and socially undesirable land uses;
- (6) Inadequate planning of the area;
- (7) Excessive land coverage;
- (8) Lack of proper light and air and open space
- (9) High incidence of persistent unemployment or underemployment;
- (10) High incidence of dependence upon public assistance;
- (11) High incidence of overcrowded, unsanitary, or inadequate housing;
- (12) High incidence of crime and delinquency;
- (13) High incidence of rejection for selective service;
- (14) High incidence of disease disability;
- (15) High incidence of infant mortality;
- (16) High incidence of school dropouts or other evidence of low educational attainment;
- (17) other generally accepted indicators of widespread social problems or poverty conditions.

LERTA PROGRAM

TABLE II

TABLE I

Total R.E. Taxes	% Abatement	Taxes with LERTA	Savings	% Abatement	Taxes with LERTA	Savings
1. \$49,306	100	--	\$49,306	100	--	\$49,306
2. 51,278	100	--	51,278	90	5,128	46,150
3. 53,329	100	--	53,329	80	10,666	42,663
4. 55,462	100	--	55,462	70	16,639	38,823
5. 57,680	100	--	57,680	60	23,072	34,608
6. 59,987	80	11,997	47,990	50	29,994	29,993
7. 62,368	60	24,947	37,421	40	37,421	24,947
8. 64,863	40	38,918	25,945	30	45,404	19,459
9. 67,458	20	53,966	13,492	20	53,966	13,492
10. 70,156	0	70,156	--	10	63,140	7,016
591,887		199,984	391,903		285,430	306,456